Approved For Release 2000/06/07 : CIA-RDP79T01003A001500210004-8

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Current Support Brief

PETROLEUM EXPORTS BY THE SOVIET BLOC TO NON-BLOC COUNTRIES SHOW ONLY SMALL GAINS IN 1962

CIA/RR CB 63-21

7 March 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

CONFIDENTIAL

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PETROLEUM EXPORTS BY THE SOVIET BLOC TO NON-BLOC COUNTRIES SHOW ONLY SMALL GAINS IN 1962

The Soviet Bloc oil offensive in non-Bloc countries, which had enjoyed such substantial growth during the years since 1955, appears to have lost much of its momentum. The Bloc is estimated to have exported approximately 32 million metric tons (mt) of crude oil and petroleum products, valued at about US $440 million, to non-Bloc countries in 1962. This quantity represents an increase of only 4 percent compared with the amount exported in 1961, but oil again was the largest single earner of foreign exchange in Soviet foreign trade. Although there are a variety of possible explanations for the relatively poor showing in 1963, the increase in domestic requirements probably was most important in holding down exports.

1. Exports Slowed by Bloc Shortage of Petroleum

Bloc exports of petroleum to non-Bloc countries, including Cuba, had grown at an average annual rate of about 30 percent during the period 1955 through 1961. There are a variety of possible explanations for the sharp decline in growth in 1962, as follows: (a) importing countries may have been influenced by the campaigns of the US Government and the US oil companies to publicize the danger of too great reliance on Soviet petroleum; (b) token attempts by the USSR to increase prices in the marketplace -- notably Japan, India, and Egypt -- may have created some resistance to Soviet petroleum; and (c) the USSR failed to find any additional large markets for its petroleum.

Although the foregoing conditions probably had a depressing effect on Soviet exports of petroleum, of more importance is the probability that the USSR simply did not have the petroleum with which to achieve any significant increase in exports in 1962. It is estimated that the rate of increase in domestic demand for petroleum in 1962 exceeded the rate

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of increase in supply. The USSR may have had to withdraw petroleum from inventory during 1961 and, considering the various shortages reported during 1961, probably was attempting to reduce internal consumption. These two actions apparently permitted the USSR to meet its export obligations to its petroleum buyers and preserve its image as a reliable supplier of petroleum even in the face of increased Cuban demands.

Petroleum continued to be in short supply in 1962, as the USSR attempted to resume allocations to domestic consumers and to bring the levels of petroleum in stock to normal. The increased availability of petroleum to domestic consumers apparently led to above-plan rates of consumption in the first half of the year, again causing the USSR to restrict domestic consumption. Even the slight overfulfillment of the plan for production of crude oil and the small reduction in domestic demand were insufficient to afford much flexibility for foreign market maneuvering in view of the ever increasing domestic need for petroleum. In defense of the thesis that the lack of petroleum was the reason for the decline in growth of exports of petroleum, there is no evidence to support the belief that the Soviet transport capability would have been a serious obstacle to the export of more petroleum.

Consequently, attempts, however mild, to increase prices for Soviet petroleum in the marketplace, the increased demand for petroleum at home, and the apparent lack of vigorous effort to sell more petroleum to non-Bloc countries tend to support the belief that the USSR did not have additional quantities of petroleum available for sale. It is, as yet, too early to predict how long this condition will persist.

2. Significance of Exports

The quantity and composition of Bloc exports of petroleum are described in the accompanying chart. The quantities of petroleum imported by the individual non-Bloc countries and the share that such quantities represented of local demand are shown in the table. Bloc exports of petroleum represented only about 3 percent of the total demand of the non-Bloc world outside the US in 1962. Of all the

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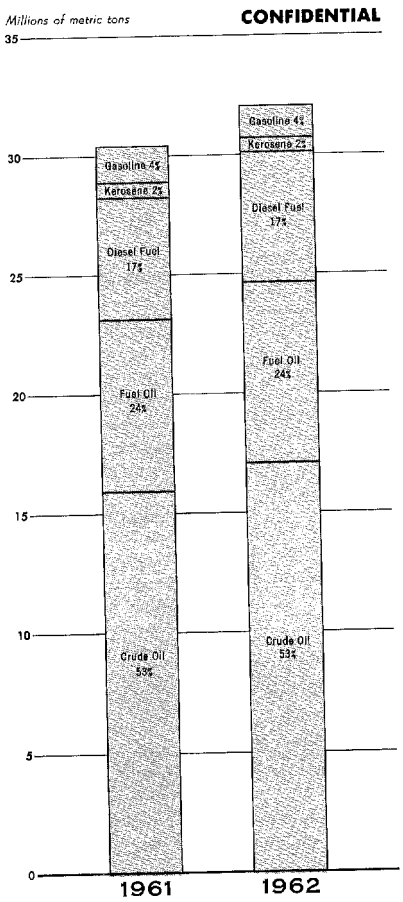

COMPOSITION OF BLOC PETROLEUM EXPORTS TO NON-BLOC COUNTRIES 1961-1962

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importing countries, Bloc petroleum was most important to Cuba, which, for practical purposes, was completely dependent on the USSR for its supply. Finland was the only other non-Bloc country in which Bloc sales dominated the market for petroleum. In all of Free Europe, Bloc petroleum contributed less than 10 percent of the demand. Even in particular countries of the industrial West, where the largest quantities of Bloc petroleum were imported, such imports represented only a minor part of the local demand.

The Bloc has maintained its position in a wide variety of markets among the underdeveloped countries. Ghana, Israel, Sudan, and Ceylon, which were not importers of Bloc petroleum in 1961, were added to the list in 1962. Conversely, Uruguay and Lebanon made no purchases in 1962.

3. Origin of Exports

About 85 percent of Bloc exports of petroleum to non-Bloc countries originated in the Black Sea from the Soviet ports of Novorossiysk, Batumi, Tuapse, and Odessa and from the Rumanian port of Constanza. Twelve percent originated from the ports of Ventspils and Klaipeda on the Baltic Sea, and the remainder was shipped by land transport. The growing significance of the Baltic ports is illustrated by the fact that about 4 million mt of Bloc petroleum originated from Klaipeda and Ventspils in 1962, whereas 2 million mt are estimated to have come from these ports in 1961.

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4. Prospects in 1963

It is too early to forecast with confidence the growth in Bloc exports of petroleum in 1963. The planned increase of 10 percent in production of crude oil in the USSR in 1963 is about the same as that achieved in 1962. Given the expected increases in domestic consumption, it is likely that exports in 1963 will register another moderate increase rather than resume their previous rapid tempo of advance.

Political conditions in the UK and France might bring about an expansion of trade with the USSR, including the import of more Soviet petroleum. In the likely event that Free World oil companies are driven out of the market in Ceylon, the Ceylonese probably would turn to the USSR for more petroleum. The foreign exchange situation in Brazil may cause that government to import more Bloc petroleum. India, too, for a variety of reasons may import more Soviet petroleum. Given a combination of these conditions, the USSR probably would institute domestic conservation measures to the extent necessary to respond to the additional export demands for its petroleum. In the absence of such a series of events, however, it seems probable that total Bloc exports will not exceed about 34 million mt in 1963, or an annual increase of less than 2 million mt.

The success of the Bloc oil offensive, particularly in the underdeveloped countries, has stemmed principally from the unwillingness, or inability, of Free World oil companies to meet the prices and terms of payment for Bloc oil. Serious attempts to compete with Bloc sales tactics at this time might hold the Soviet oil offensive in check and could even displace Communist oil.

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Table

Imports of Bloc POL by Non-Bloc Countries a/*
1962

	Thousand Metric Tons					
	Crude Oil	Products				
	From USSR	From USSR	From Satellites	Total Products	Total POL	Percent of Local Demand
Europe						
Belgium/Luxembourg	22	580	130	710	730	8
France	110	570	510	1,100	1,200	3
West Germany	1,800 b/	350	770	1,100	3,000	6
Italy c/	5,800	1,100	280	1,400	7,200	22
Netherlands d/	0	50	10	60	60	Negl.
Total Common Market	7,700	2,700	1,700	4,400	12,000	8
Greece	340	330	200	530	870	34
UK	32	150	0	150	180	Negl.
Denmark	0	92	20	110	110	2
Iceland	0	250	0	250	250	62
Portugal	0	0	50	50	50	2
Norway	39	200	83	290	290	8
Turkey	0	14	0	14	14	Negl.
Total European NATO	8,100	3,700	2,100	5,800	14,000	6
Switzerland	0	20	120	140	140	3
Austria e/	500	100	300	400	900	25
Sweden	26	2,100	200	2,300	2,300	17
Total European OECD	8,600	6,000	2,700	8,600	17,000	7
Finland	1,200	1,600	150	1,800	2,900	99
Spain	19	48	0	48	67	Negl.
Yugoslavia	250	81	2	83	340	22
Other Europe f/	130	410	450	860	1,000	
Total Europe	10,000	8,100	3,300	11,000	22,000	9

* Footnotes for the table follow on p. 7.

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Table

Imports of Bloc POL by Non-Bloc Countries a/
1962
(Continued)

	Thousand Metric Tons					
	Crude Oil	Products				
	From USSR	From USSR	From Satellites	Total Products	Total POL	Percent of Local Demand
Middle East and Africa						
Algeria	0	28	0	28	28	Negl.
Ghana	0	11	0	11	11	3
Guinea/Mali	0	120	8	130	130	N.A.
Morocco	90	48	14	62	152	13
Tunisia	4	19	0	19	23	4
Egypt	970	150	330	480	1,400	28
Syria	0	19	190	210	210	17
Israel	0	21	0	21	21	Negl.
Yemen	0	4	0	4	4	N.A.
Sudan	0	16	0	16	16	3
Total	1,000	440	540	990	2,000	N.A.
Free Asia						
Afghanistan	0	80	0	80	80	N.A.
India	0	380	0	380	380	4
Japan	1,900	920	0	920	2,800	6
Burma	10	34	0	34	44	7
Ceylon	11	150	13	160	170	16
Total	1,900	1,600	13	1,600	3,500	N.A.
Latin America						
Brazil	150	0	67	67	210	Negl.
Cuba	3,600	810	80	890	4,500	100
Total	3,700	810	150	960	4,700	N.A.
Grand total non-Bloc	17,000	11,000	4,000	15,000	32,000	3 g/

Table

Imports of Bloc POL by Non-Bloc Countries a/
1962
(Continued)

a. Preliminary estimates based on a variety of shipping advices and other source materials. All data are rounded to two significant figures. Because of rounding, components may not add to the totals shown.
b. Including an estimated amount of crude oil transshipped in the Netherlands and sent to West Germany.
c. Including crude oil to be refined for third country accounts.
d. In 1962, about 1.5 million metric tons (mt) of crude oil and products were delivered to ports in the Netherlands. Netherlands law fixes the maximum imports of Bloc oil at 60,000 mt each year. About 600,000 mt were transshipped at Rotterdam and sent to other countries of Western Europe. The remainder is placed in bonded storage, where its identity is obscured and from where it presumably is sent to other countries of Western Europe.
e. Net imports from the Bloc were about 400,000 mt. Austria shipped a total of 500,000 mt of crude oil to Poland, Hungary, Germany, and Czechoslovakia on Soviet account in 1962 as part of the Austrian reparation shipments made to the USSR.
f. This quantity represents an estimate of some of the petroleum delivered to the Netherlands in bond and presumed to be shipped ultimately to other countries of Western Europe.
g. Excluding the US.

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